

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

KGS DIAMOND GROUP S.A.,

Plaintiff,

V.

DK HOLDINGS, LTD.,

Defendant.

Case No. CV-07 8547 (NRB)

ELECTRONICALLY
FILED WITH THE COURT

DK HOLDINGS, LTD.'S SETTLEMENT STATUS REPORT

Defendant DK Holdings, LTD. (“DK Holdings”), by and through its undersigned counsel, hereby submit a Settlement Status Report advising the court on the current status of the parties’ settlement negotiations, as ordered by the Court during the February 6, 2008 Initial PreTrial Conference.

Plaintiff KGS Diamond Group S.A. (“KGS”) filed this lawsuit alleging that DK Holdings has infringed KGS’s patent by selling in the United States certain abrasive grinding pads known as “Dia-link” pads. Following the Initial PreTrial Conference, attorneys for both parties agreed to exchange information in an effort to resolve this dispute without litigation. On February 20, 2008, DK Holdings sent KGS Diamond Group S.A. (“KGS”) a letter providing product and sales information for the past six years. DK Holdings’ U.S. sales of allegedly infringing products are in such small amounts as not to justify continued litigation.

Since February 20, the attorneys for the parties have spoken on several occasions. Counsel for KGS has expressed a continuing interest in settlement communications, but has indicated that he has not yet received instructions or information from KGS. Within the past week, counsel for DK Holdings has made repeated attempts to communicate with counsel for KGS so that the parties could attempt to formulate a joint recommendation for the court. To date, those efforts have been unavailing.

If the parties are unable to settle the current dispute, DK Holdings intends to recommend that the court conduct a Markman claim construction proceeding before any discovery on topics other than claim construction. DK Holdings believes that the current dispute is likely to be resolved based on claim construction, a legal determination that, under the circumstances of the present case, does not require factual investigation.

Based on the foregoing circumstances, DK Holdings respectfully requests that this Court schedule a further pretrial conference to ascertain whether KGS intends to proceed with litigation, to determine whether KGS wishes to engage in further settlement communications, and to consider the parties suggestions regarding a pretrial schedule.

DATED: March 28, 2008

Respectfully Submitted,

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